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WAGES OF AMERICAN WORKERS IN THE 1980s

PREPARED BY THE STAFF

OF THE

COMMITTEE ON THE BUDGET

UNITED STATES SENATE

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EXPLANATORY NOTES

The data for the study is from the microdata files of the Bureau of Census' Current Population Survey for data years 1979, 1986, and 1987.

The poverty-level benchmarks for 1979 are deflated by the CPI–X price deflator (which has been the official price index since 1983). The results would be identical if the Personal Consumption deflator were used since it registered the same rate of inflation as the CPI–X deflator over the 1979–87 period.

Hourly wage rates are based on wage and salary income. A job is categorized as low-wage if the income from working year-round, full-time at that wage would provide less than the poverty level of income for a family of four ($11,611 in 1987 dollars, or $5.80 per hour). Middle and high-wage categories are based on multiples of the poverty level.

The study analyzes the distribution of employment according to the low, middle, and high-wage categories, focusing on the changes that occurred between 1979 and 1987. Common terms used in the text such as "job creation" and "new jobs" refer to the net increase in employment in a particular wage category.

Details may not add to totals due to rounding.

All charts prepared by Budget Committee staff.

ACKNOWLEDGMENTS

The study was prepared by the staff of the Senate Budget Committee. The principal author was John Hilley. He was assisted by Laura L. O'Shea. Alan Shelly of the Senate Computer Center provided valuable programming and data processing assistance.

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EXECUTIVE SUMMARY

The dominant trend in American job creation during the 1980s has been for low-paying jobs to replace those which provided a middle-class standard of living.

The finding, based on the latest Census Bureau data, is contained in the Senate study, Wages of American Workers in the 1980s.

The most recent, detailed, and comprehensive data set on the wage rates of American workers, reveals:

- The share of middle-wage jobs decreased markedly in this decade while the shares of both low and high-wage jobs increased.
- The share of low-wage jobs (those providing annual incomes below the poverty level), increased by more than twice that of high-wage jobs.
- Wage rates are in the United States becoming polarized in a downward direction.

Sixty-four percent of American jobs paid middle-level wages in 1979. Between the peak of the business cycle in 1979 and the latest year of the current expansion in 1987, only 38 percent of the increase in employment was in middle-wage jobs. Over 50 percent of the increase was in low-wage jobs. High-wage jobs accounted for the other 12 percent of the growth in employment (See chart on page 10).

The downward movement of wage rates continued strongly in 1987, the fifth year of the current economic expansion. In fact, the situation deteriorated last year with 60 percent of the net increase in employment occurring at below-poverty-level wages. And there was an actual decrease in the number of high-wage jobs in 1987.

The movement in wage rates has not been uniform among groups and across regions and States. This study uses a categorization scheme based on changes in the shares of low, middle, and high-wage jobs.

This approach biases the outcome *against* the low-wage hypothesis, simply because the number of low-wage jobs in America is so much greater than the number of high-wage jobs (by a factor of 15). For example, between 1979 and 1987, the share of high-wage jobs in Florida rose while the share of low-wage jobs decreased, even though four times as many low-wage jobs were created.

Wage enrichment.—Occurs when the share of low-wage jobs declines and the shares of middle and/or high-wage jobs grow.

Upward wage polarization.—The case of a declining share of middle-wage jobs being offset by a growing share of low-wage jobs, and an even larger share of high-wage jobs.

Polarization.—The share of middle-wage jobs declines and the share of low and high-wage jobs increase equally.

Downward wage polarization.—A shrinking share of middle-wage jobs being supplanted by a growing share of high-wage jobs, and an even larger share of low-wage jobs.

Wage impoverishment.—Occurs when the shares of both high-wage and middle-wage jobs decline and only the share of low-wage jobs expands.

Movements in wage rates by geographical area are:

Wage Enrichment occurred along the Eastern Coast, encompassing three of the nation's nine census regions (New England, Middle Atlantic, and South Atlantic) and in four of the nation's twelve most populous states (Florida, Massachusetts, New Jersey, and New York). Only in Massachusetts and New Jersey did the actual number of low-wage jobs decline to the benefit of middle and high-wage jobs.

Downward Wage Polarization was the result for the United States as a whole and in three of the nine census regions (East North Central, Pacific, and West North Central). Downward wage polarization occurred in six of the twelve most populous states (California, Indiana, Illinois, Michigan, North Carolina, and Pennsylvania).

Wage Impoverishment was the result in three of the nine census regions (East South Central, Mountain, and West South Central) and two of the twelve most populous states (Ohio and Texas).

Principles Underlying the Study

Whether by accident or design, this critical economic issue has been obscured by a jumble of conflicting pronouncements. However, a clear and definitive view is possible if four fundamental principles are kept in mind.

The Real Standard of Living Is What Counts

The real value of work is measured by the goods and services wages can buy. A worker's standard of living increases only if rising wages provide greater purchasing power.

This basic concept has been abandoned in many studies in favor of the notion that a worker is better off if he is moving up relative to his co-workers, even if his real purchasing power has declined.

Earnings Matter, No Matter What You Call Yourself

This distinction is the most important to sort out the conflicting viewpoints on workers' wages. Jobs and occupations can be ranked relative to each other as high-paying or low-paying. But this distinction does not measure the real standard of living provided by an occupation.

Evidence from other studies shows that many of the jobs created in this decade have been in occupations labeled as high-paying relative to others. But it has also been shown that those jobs are predominantly at the low end of the wage scale within occupations.

Workers have moved into occupations classified relative to others as high-paying, but at lower real wages. It's a case of "we're hiring you as a vice-president at $4 an hour."

Wages Are the Appropriate Measure

Some workers' annual earnings go up because they make a higher hourly wage, while others' annual earnings may rise because they work more hours at the same or lower wages. An example is women workers whose annual earnings have risen in part because the number of hours worked increased by 8.5 percent between 1979 and 1987.

Only an examination of hourly wage rates can reveal the return to effort measured in real purchasing power.

Examine All Types of Workers

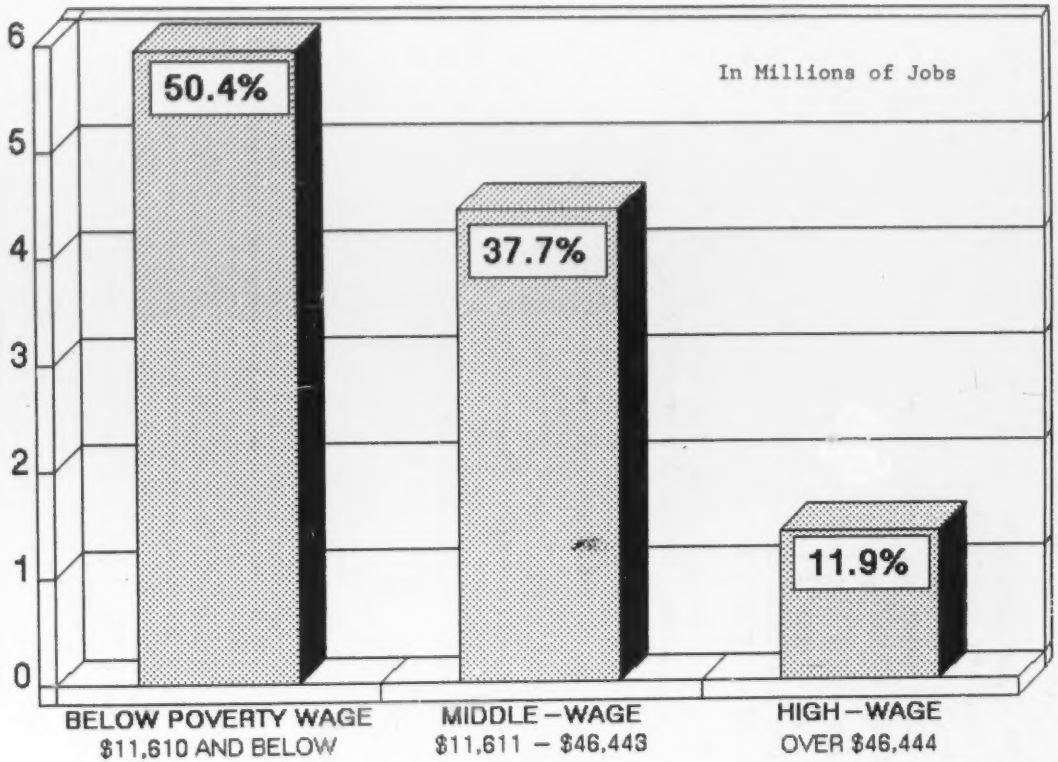
The "American workforce" can be categorized in different ways. A thorough evaluation of wage trends must examine whether wage movements are general or specific to particular groups of workers—male/female, white/nonwhite, full-time/part-time, service sector/manufacturing.

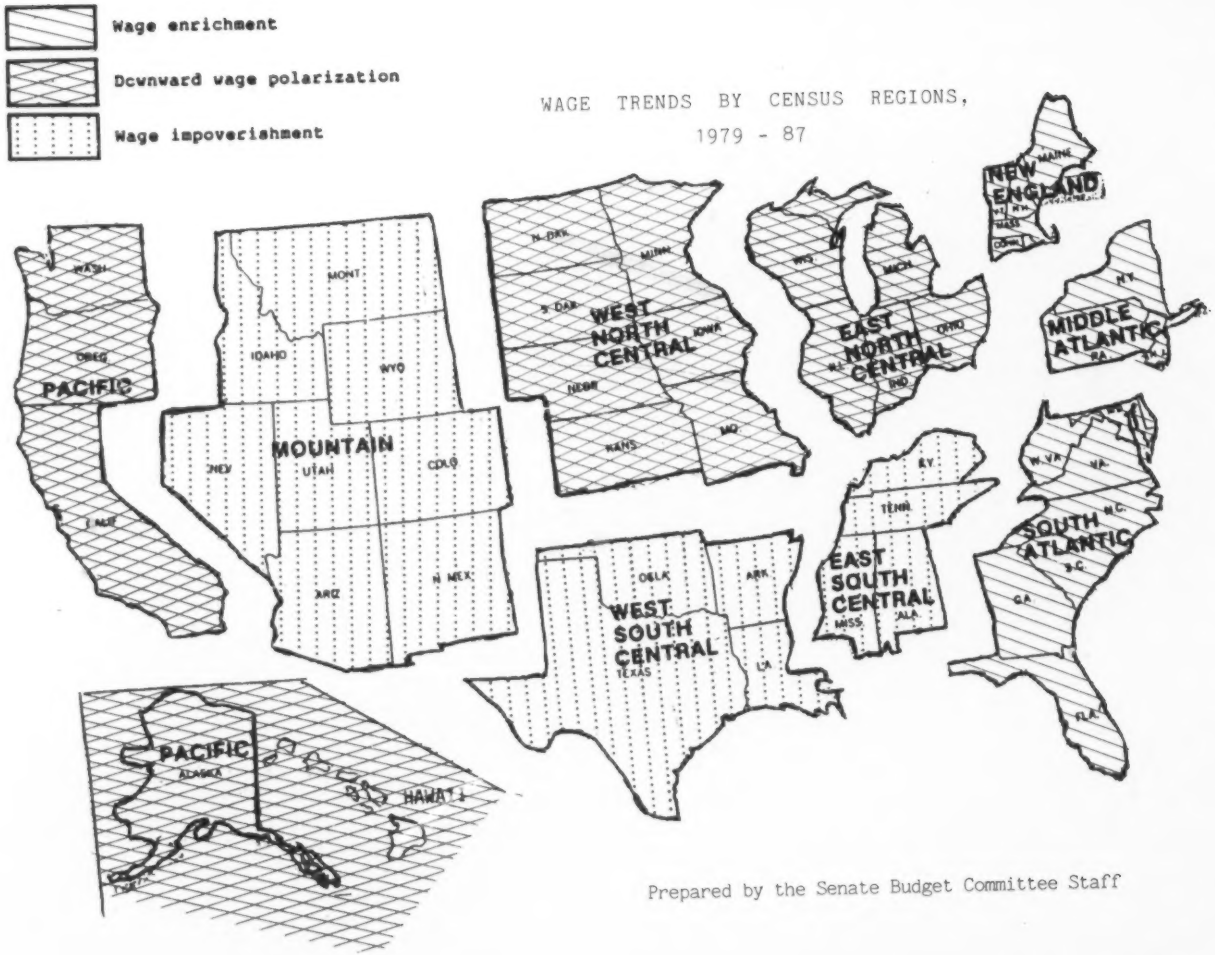
Accordingly, this study analyzes changes in the wage rates of American workers in terms of their ability to command goods and services. The specific benchmarks are based on multiples of the poverty level. A low-wage job is one that on a year-round, full-time basis pays less than the poverty level of income for a family of four ($11,611 in 1987 dollars). A middle-wage job pays more than $11,611 annually but less than $46,444 (four times the poverty level). A high-wage job pays more than $46,444 on an annual basis.

An important assumption was used to bias the analysis *against* the hypothesis that the share of middle-wage jobs has declined at the expense of low-wage jobs. The poverty-level benchmarks were adjusted by the CPI–X price deflator, yielding a higher benchmark for 1979 than the officially published number ($7,564 versus $7,412). This increased the number of low-wage jobs in the base year of 1979, and reduced the net increase in low-wage jobs for any change in wage rates between 1979 and 1987.

JOB CREATION, 1979 – 1987

ALL WORKERS / UNITED STATES




Wage enrichment
Downward wage polarization
Wage impoverishment
WAGE TRENDS BY CENSUS REGIONS,
1979 - 87
NEW ENGLAND
MIDDLE ATLANTIC
EAST NORTH CENTRAL
WEST NORTH CENTRAL
MOUNTAIN
PACIFIC
WEST SOUTH CENTRAL
EAST SOUTH CENTRAL
SOUTH ATLANTIC
PACIFIC
HAWAII
Prepared by the Senate Budget Committee Staff

WAGES OF AMERICAN WORKERS IN THE 1980s

Since the Employment Act of 1946, the primary goal of economic policy has been the full employment of the American workforce. With 75 percent of the income of Americans in the form of wages and salaries, America's prosperity rests on the opportunity for work at good wages.

In the first 3 decades following World War II, the promise of good jobs was kept. The unemployment rate averaged 4.4 percent in the 1950s, 4.6 percent in the 1960s, but rose to 6.8 percent in the 1970s. As important, the real wages of American workers followed an upward course and the gains were spread across different wage levels. The reality of good jobs allowed effort to be rewarded with a rising standard of living.

But this decade has been a difficult one for America's workers. The unemployment rate has averaged 7.6 percent. Real average hourly earnings as measured by the Labor Department's Establishment Survey were lower in 1987 than in 1979.

The prelude to policy must be an accurate assessment of the facts. This study examines changes in wage rates by numerous categories and classifications, including:

—male and female workers,
—workers above and below 35 years of age,
—white and nonwhite workers,
—service sector and manufacturing sector workers,
—workers in the nation's nine census regions, and
—workers in the 12 most populous States.

These distinctions were applied to (1) the workforce as a whole, (2) all year-round, full-time workers, and (3) part-time and seasonal workers.

Since the Survey of Establishment data is recognized as being limited in coverage, this study uses the latest and most comprehensive data on the wages of American workers—the microdata files of the Bureau of the Census' Current Population Survey.

The fundamental conclusion is that wage rates are becoming polarized while moving in a downward direction. The share of middle-wage jobs has declined while the proportion of both low-paying jobs and high-paying jobs has increased. But the share of low=paying jobs has increased by more than twice the amount of high-wage jobs.

The middle of the wage distribution is shrinking, along with the opportunities for middle-class status. During this decade more than half of the net increase in employment has been at jobs paying below a poverty-level wage.

Wage Trends in 1987

Perhaps one of the more remarkable and troubling results of the study is that the downward polarization of wages continued strongly in 1987, the fifth year of the current economic expansion.

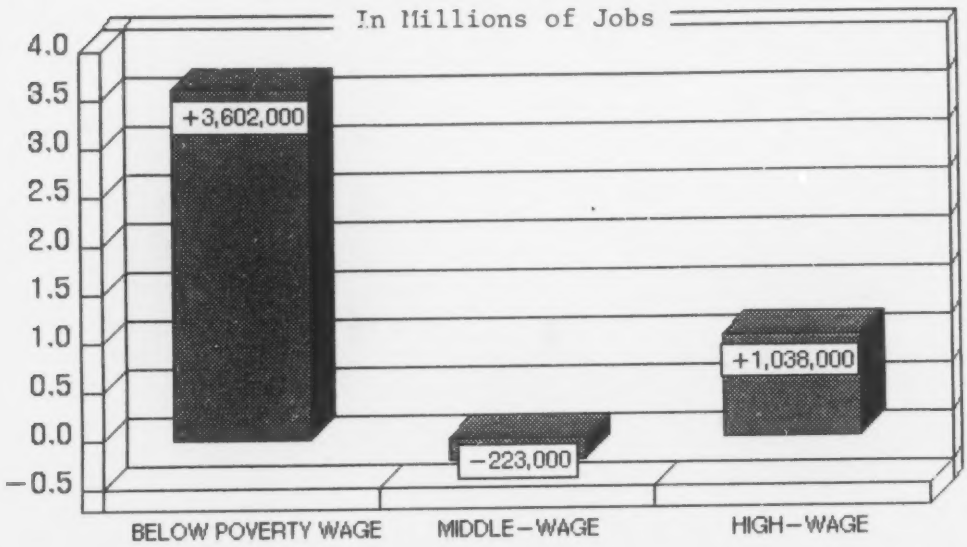
Between 1979 and 1986, the share of middle-wage jobs declined by 2.4 percentage points. But measured over the 1979 to 1987 period, the loss in the share of middle-wage jobs was 2.6 percentage points. Between 1979 and 1986, the share of low-wage jobs grew by 1.4 percentage points. But between 1979 and 1987 the increase in the share of low-wage jobs was 1.8 percentage points.

Put another way, in the fifth year of economic expansion, middle-wage jobs continued to be created at about half the rate, and low-jobs continued to be created at twice the rate, as their historical norms. The share of middle-wage jobs continued to shrink largely at the expense of low-wage employment. This result was pervasive, cutting across industry and most demographic distinctions.

Thus, the numbers indicate a worsening of the situation in 1987. A greater proportion of the jobs created in 1987 were low-paying compared to the 1979 to 1986 period. And a smaller proportion were high-paying. The share of middle-wage jobs continued to shrink in 1987 but those jobs were being supplanted to a greater extent by low-wage rather than high-wage jobs.

MALE WORK FORCE

Job Creation 1979 – 1987



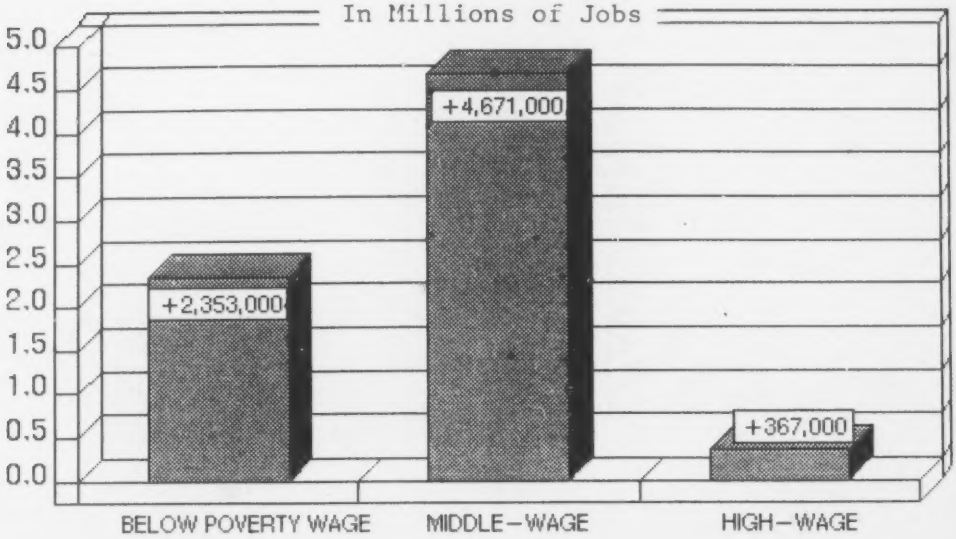
Male Workers: Male workers have fared extremely poorly in this decade, experiencing extreme downward wage polarization. The share of middle-wage jobs decreased by 5.4 percentage points. The increase in the share of below-provery-level-wage jobs has been 3.2 times the increase in the share of high-paying jobs.

There were actually 223,000 fewer jobs held by men that paid middle-level wages in 1987 than there were in 1979. Fully 82 percent of the gain in male employment in this decade has been at jobs paying below-proverty-level wages.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	22.3	26.5	+4.2
Middle-wage ($11,612 to $46,444)	72.1	66.6	−5.4
High-wage ($46,445 and above)	5.6	6.9	+1.3

FEMALE WORK FORCE

Job Creation 1979 – 1987



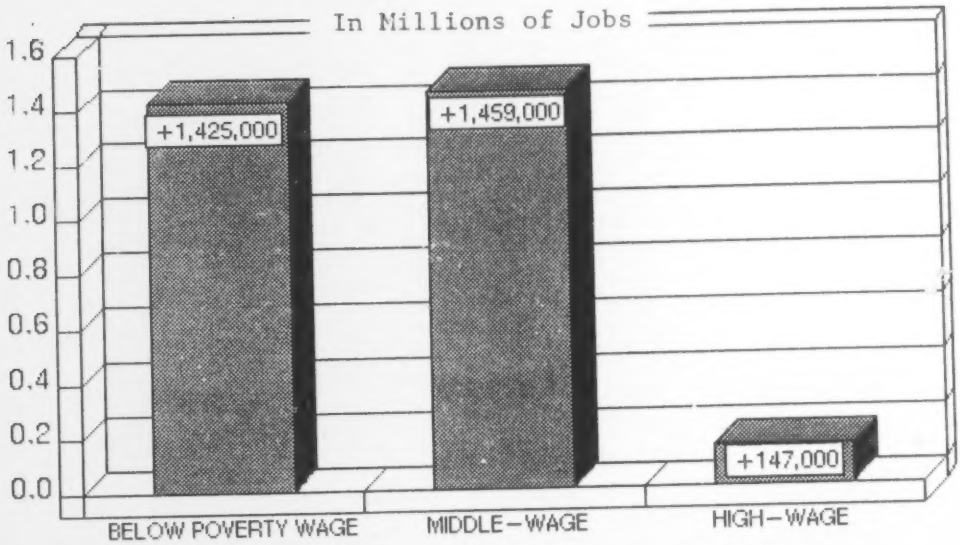
Female Workers: The share of low-wage jobs declined from 44.6 percent to 42.9 percent of the total. The share of middle-wage jobs increased by 1.2 percentage points while the share of high-wage jobs increased by 0.5 percentage points.

But in absolute terms, 2.4 million low-wage jobs were added, compared to 367,000 high-wage jobs. The average level of womens' wages is far below that of men. Forty-three percent of women make below-poverty-level wages, while only 27 percent of men do. At the high end, the proportion of men holding high-wage jobs is nearly four times the proportion of women with such jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	44.6	42.9	−1.7
Middle-wage ($11,612 to $46,444)	54.2	55.4	+1.2
High-wage ($46,445 and above)	1.3	1.8	+0.5

NON – WHITE WORKFORCE

Job Creation 1979 – 1987



Nonwhite Workers: Downward wage polarization is color blind. Both whites and nonwhites have seen the share of jobs paying below the poverty level expand at the expense of middle-wage jobs.

For nonwhites, the share of middle-wage jobs declined by 1.8 percentage points and the share of low-wage jobs increased by 1.2 percentage points.

In terms of net employment change, 1.4 million jobs paying below the poverty level were added, compared to 147,000 high-wage jobs.

Just as the wage levels of women are well below those of men, the wages of nonwhite workers are significantly lower than those of white workers. In 1987, 42 percent of nonwhite workers earned wages below the poverty level while 33 percent of whites held such low-paying jobs. At the other end of the wage distribution, 4.8 percent of the jobs held by whites paid high wages while only 2.3 percent of the jobs held by nonwhites paid such wages.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	40.5	41.7	+1.2
Middle-wage ($11,612 to $46,444)	57.8	56.0	−1.8
High-wage ($46,445 and above)	1.7	2.3	+0.6

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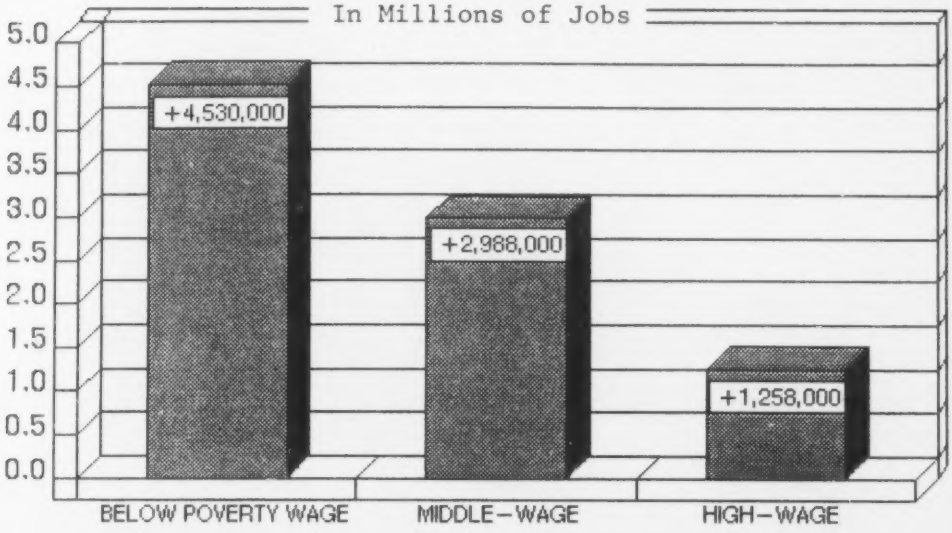
WHITE WORK FORCE

Job Creation 1979 – 1987



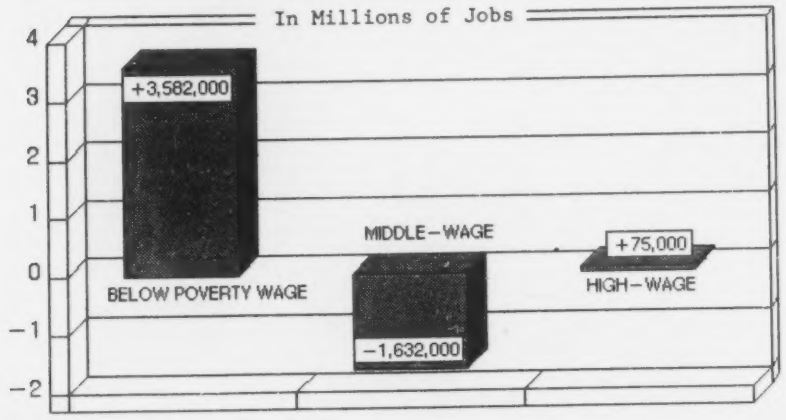
White Workers: Downward wage polarization has been more pronounced among white workers than among nonwhites. For white workers, the share of middle-wage jobs declined by 2.6 percentage points and the share of low-wage jobs expanded by 1.8 percentage points.

The increase in low-wage jobs for whites was 4.5 million while high-wage jobs increased by 1.3 million.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	31.2	33.0	+1.8
Middle-wage ($11,612 to $46,444)	64.8	62.2	−2.6
High-wage ($46,445 and above)	4.0	4.8	+0.9

WORKERS UNDER 35 YEARS OF AGE

Job Creation 1979 – 1987



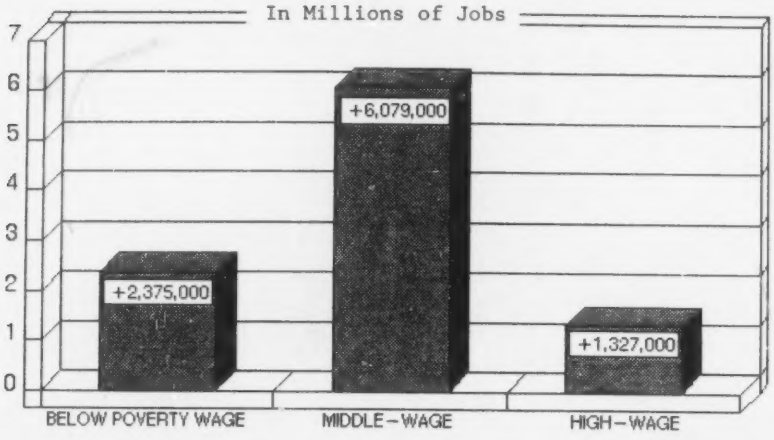
Workers Under the Age of 35: Young workers experienced severe downward wage polarization. The share of middle-wage jobs fell by 4.8 percentage points while the share of low-wage jobs increased by 4.7 percentage points.

The 2 million net increase in employment for young workers between 1979 and 1987 was more than completely accounted for by low-wage jobs. Jobs paying below-poverty-level wages increased by 3.6 million while there was a net loss of 1.6 million jobs paying middle-level wages. High-wage jobs rose by 75,000.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	39.4	44.2	+4.7
Middle-wage ($11,612 to $46,444)	59.0	54.2	−4.8
High-wage ($46,445 and above)	1.5	1.6	+0.1

WORKERS OVER 34 YEARS OF AGE

Job Creation 1979 – 1987



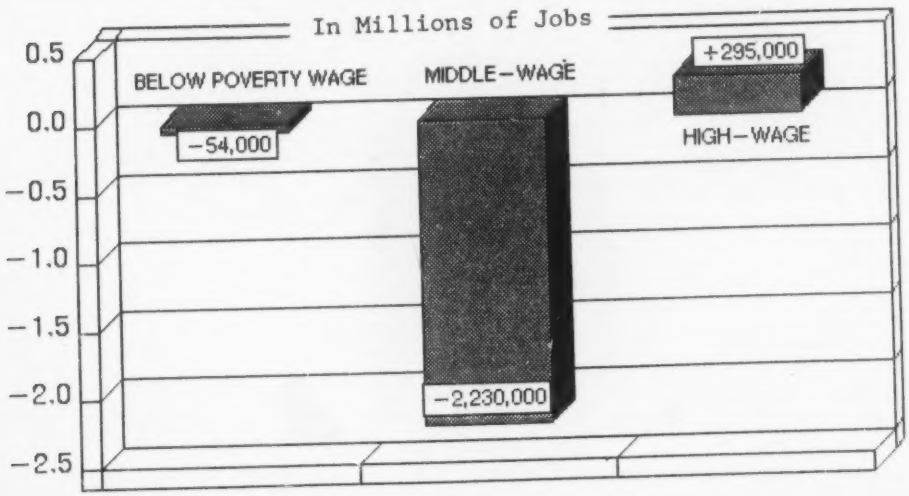
Workers Over the Age of 34: These workers saw no change in their share of low-wage jobs. A decline in the share of middle-wage jobs of 1.2 percentage points was taken up by a larger share of high-wage jobs.

The number of low-wage jobs held by workers 35 and over increased by 2.4 million while the number of high wage jobs grew by 1.3 million.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	24.3	24.3	0.0
Middle-wage ($11,612 to $46,444)	69.6	68.4	−1.2
High-wage ($46,445 and above)	6.1	7.3	+1.2

MANUFACTURING INDUSTRY

Job Creation 1979 – 1987



The Manufacturing Sector: The manufacturing sector of the economy experienced wage polarization in this decade.

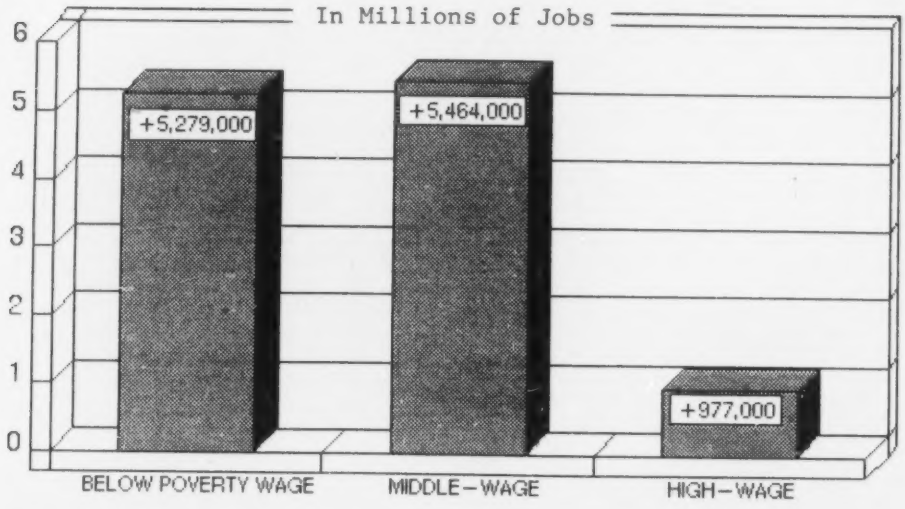
The share of middle-wage jobs declined by 3.3 percentage points while the shares of low and high-wage jobs both increased by 1.6 and 1.7 percentage points respectively.

The total number of jobs in manufacturing declined by nearly two million since 1979. Over 2.2 million middle-wage jobs disappeared. At the same time, 295,000 high-wage jobs were added.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	21.1	22.7	+1.6
Middle-wage ($11,612 to $46,444)	75.0	71.7	−3.3
High-wage ($46,445 and above)	4.0	5.6	+1.7

SERVICE INDUSTRY

Job Creation 1979 – 1987



The Service Sector: As was the case in manufacturing, wage polarization has been the norm. The share of middle-wage jobs declined by 1.6 percentage points while the shares of low and high-wage jobs each increased by 0.8 percentage points.

Forty-five percent of the net new jobs in the service sector paid below-poverty-level wages, although historically the share of low-wage jobs in this sector has been near 40 percent. Only 41 percent of the net increase in service sector employment was at middle-level wage jobs, even though in 1979, 56 percent of service sector jobs paid a middle-level wage.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	40.3	41.1	+0.8
Middle-wage ($11,612 to $46,444)	56.4	54.8	−1.6
High-wage ($46,445 and above)	3.3	4.1	+0.8

YEAR-ROUND, FULL-TIME WORKERS

Year-round, full-time workers experienced strong downward wage polarization. The share of middle-wage jobs declined by 4.0 percentage points while the share of low-wage jobs increased by 3.2 percentage points.

The number of low-wage jobs held by year-round, full-time workers increased by 4.4 million while the net gain in high-wage employment was 1.1 million.

The same classifications, used in the analysis of the entire workforce—male/female, young/old, white/nonwhite, manufacturing/services, and geographical—were applied to the analysis of year-round, full-time workers. The fundamental conclusion is that strong downward wage polarization is pervasive—occurring among young and old workers, white and nonwhite workers, and in the manufacturing and service sector.

Males experienced strong downward polarization while the position of women improved marginally. The share of middle-wage jobs of year-round, full-time women workers declined by 0.2 percentage points and the share of high-wage jobs expanded by 0.5 percentage points. For women, the number of low-wage jobs grew by 2 million, compared to a 200,000 increase in high-wage jobs.

Geographically, full-time, year-round workers experienced wage enrichment in two of the nation's twelve most populous states (Massachusetts, New Jersey). Workers in New York and Florida saw upward wage polarization. In seven of the twelve most populous states (California, Indiana, Illinois, Michigan, North Carolina, Pennsylvania, and Texas), downward wage polarization occurred. Ohio's workers went in the direction of wage impoverishment.

From the viewpoint of the nine census regions, only New England's year-round, full-time workers moved toward enrichment. The Middle Atlantic Region experienced upward wage polarization. Four Regions (East North Central, Pacific, South Atlantic, West South Central) experienced downward wage polarization. The remaining three regions (East South Central, Mountain, and West North Central) underwent wage impoverishment.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	17.7	20.9	+3.2
Middle-wage ($11,612 to $46,444)	77.9	74.0	−4.0
High-wage ($46,445 and above)	4.4	5.2	+0.8

PART-TIME AND SEASONAL WORKERS

Workers who are not year-round, full-time workers also experienced strong downward wage polarization. The share of middle-wage jobs declined by 4.1 percentage points while the share of low-wage jobs expanded by 3.4 percentage points.

In the period between 1979 and 1987, middle-wage jobs declined by 1.9 million while low-wage jobs increased by 1.6 million.

Downward wage polarization was pervasive among this group of workers—affecting males and females, whites and nonwhites, service sector and manufacturing workers, and workers under the age of 35.

The sole exception to the general trend was for part-time seasonal workers over the age of 35. Their share of low-wage jobs declined from 43.2 percent to 42.5 percent of the total. The share of middle-wage jobs declined by 0.4 percentage points while the share of high-jobs wage increased from 4.5 percent to 6.2 percent of the total. Yet even here, 623,000 low-wage jobs were added, compared to an increase of 411,000 high-wage jobs.

The changes by geographical location follow extremely closely the trends for year-round, full-time workers.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	51.1	54.5	+3.4
Middle-wage ($11,612 to $46,444)	46.1	42.1	−4.1
High-wage ($46,445 and above)	2.7	3.4	+0.7

WAGE TRENDS BY REGION

The study examined the change in the distribution of wage rates for all nine census regions.

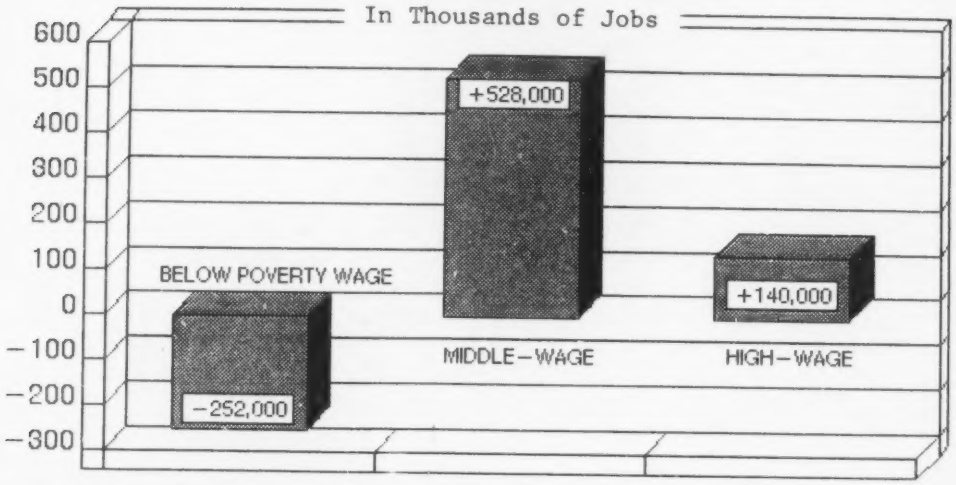
Workers in New England, and the Middle and South Atlantic regions moved toward enrichment.

Three regions (East North Central, Pacific, and West North Central) experienced downward wage polarization.

Three regions (East South Central, Mountain, and West South Central) experienced wage impoverishment with both the shares of middle and high-wage jobs declining at the expense of the low-wage jobs.

NEW ENGLAND

Job Creation 1979 – 1987



New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont): New England's workers experienced enrichment of wage rates between 1979 and 1987.

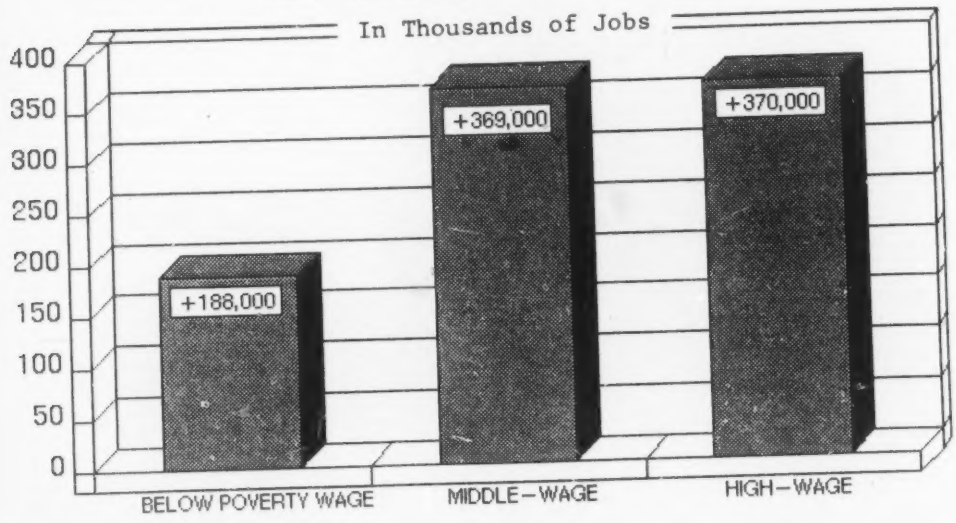
The share of jobs paying below-poverty-level wages fell from 32.2 percent in 1979 to 26.5 percent in 1987, a decline of 5.6 percentage points. The share of jobs paying middle-class wages increased by 3.8 percentage points to 67.9 percent of the total. High-wage jobs increased from 3.7 percent to 5.6 percent.

New England was the only region that experienced a decline in the number of low-paying jobs, offset by increases in middle and high-wage jobs. A reduction of 252,000 low-wage jobs was accompanied by an increase of 528,000 middle-wage jobs and 140,000 high-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	32.2	26.5	−5.6
Middle-wage ($11,612 to $46,444)	64.1	67.9	+3.8
High-wage ($46,445 and above)	3.7	5.6	+1.8

MID – ATLANTIC STATES

Job Creation 1979 – 1987



region experienced wage enrichment, based on upward wage movements in New York and New Jersey, despite the downward polarization of wages that occurred in Pennsylvania.

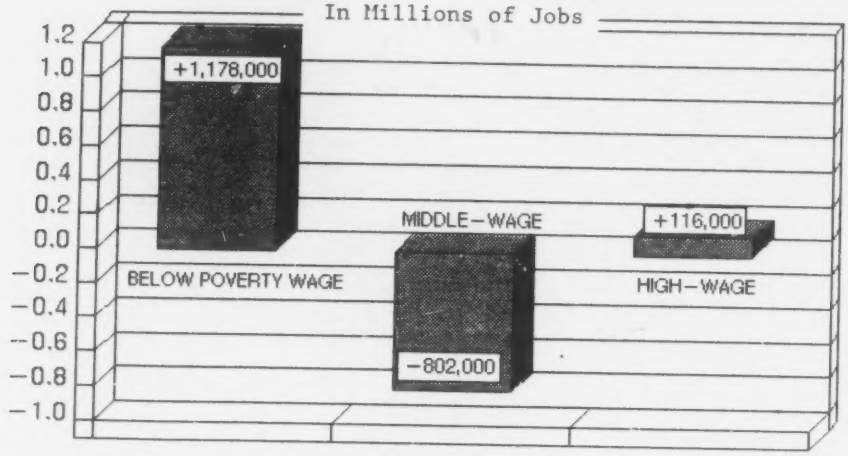
For the region, the share of low-wage jobs decreased by 0.4 percentage points and the share of high-wage jobs grew by 1.8 percentage points.

In absolute amounts, 188,000 low-wage jobs were created, compared to 370,000 high-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	28.0	27.6	−0.4
Middle-wage ($11,612 to $46,444)	68.0	66.5	−1.5
High-wage ($46,445 and above)	4.1	5.9	+1.8

EAST NORTH CENTRAL STATES

Job Creation 1979 – 1987

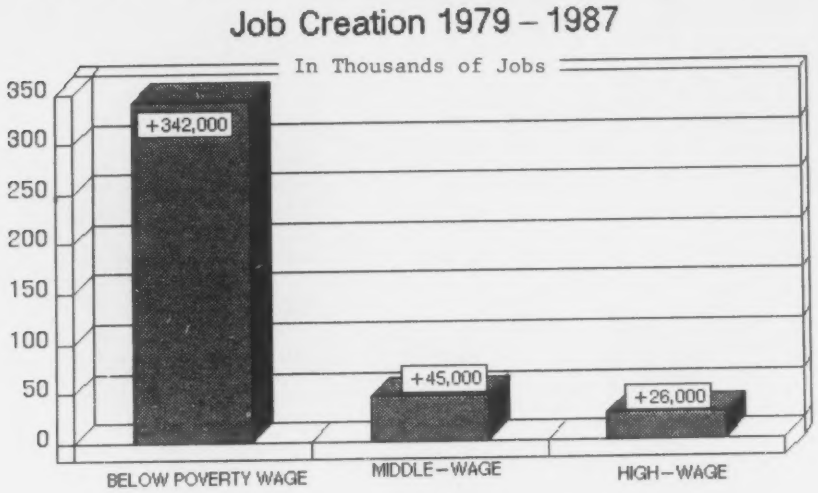


East North Central (Indiana, Illinois, Ohio, Michigan, Wisconsin): This region experienced severe downward wage polarization. Middle-wage jobs declined from 67.6 percent of the total to 62.1 percent. At the same time, the share of low-wage jobs increased by 5.0 percentage points, almost the entire amount.

The number of middle-wage jobs declined by 802,000 while the number of low wage-jobs grew by 1.2 million. High-wage jobs grew by 116,000.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	28.8	33.8	+5.0
Middle-wage ($11,612 to $46,444)	67.6	62.1	−5.5
High-wage ($46,445 and above)	3.6	4.1	+0.5

WEST NORTH CENTRAL STATES



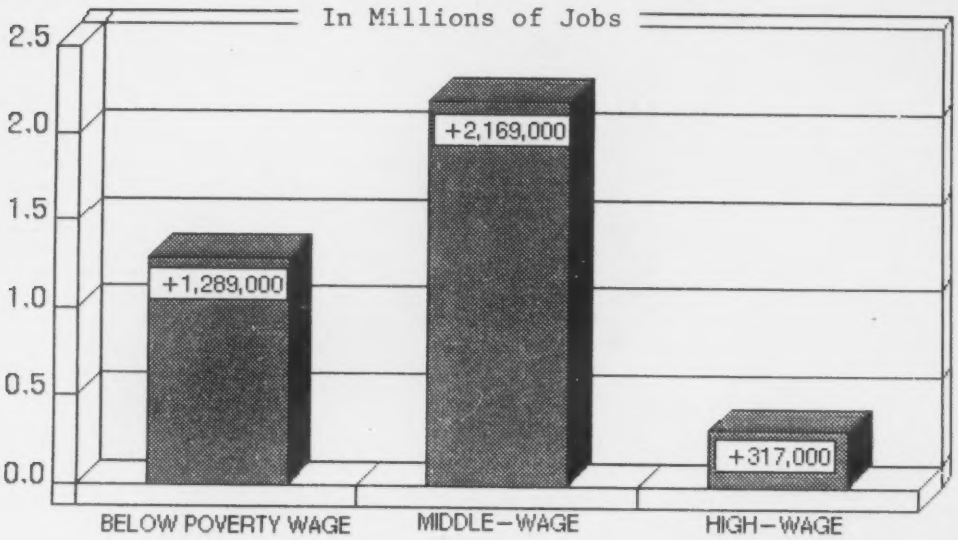
West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota): Workers experienced downward wage polarization. The shares of middle-wage jobs declined by 2.4 percent points while the share of poverty-level jobs increased by 2.2 percentage points.

The net increase of 413,000 jobs between 1979 and 1987 was mainly accounted for by jobs paying below a poverty-level wage (342,000 jobs). The number of middle-wage jobs grew by 45,000 while 26,000 high-wage jobs were added.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	35.1	37.4	+2.2
Middle-wage ($11,612 to $46,444)	62.1	59.7	−2.4
High-wage ($46,445 and above)	2.8	2.9	+0.2

SOUTH ATLANTIC STATES

Job Creation 1979 – 1987



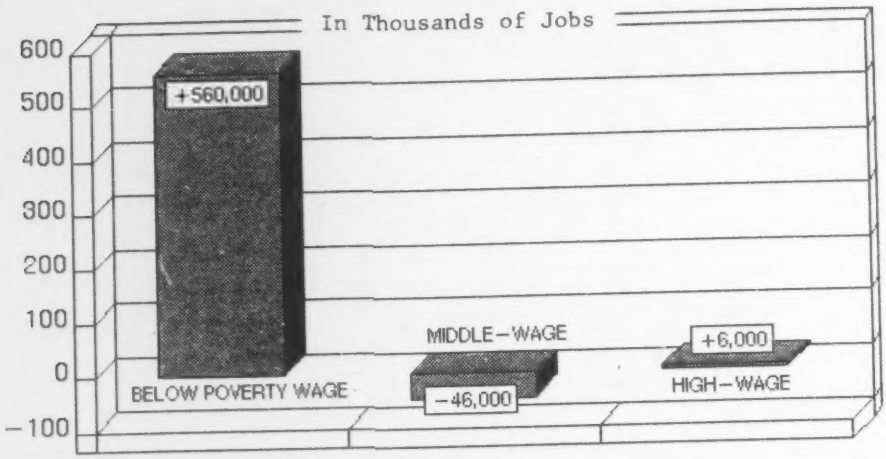
South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia): Wages moved in the direction of enrichment. The share of middle-wage jobs declined by 0.4 precentage points. The share of high-wage jobs grew by 1.0 percentage points.

In absolute terms, 1.3 million low-wage jobs were added, compared to 317,000 high-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	37.0	36.5	−0.1
Middle-wage ($11,612 to $46,444)	59.9	59.5	−0.4
High-wage ($46,445 and above)	3.0	4.0	+1.0

EAST SOUTH CENTRAL STATES

Job Creation 1979 – 1987



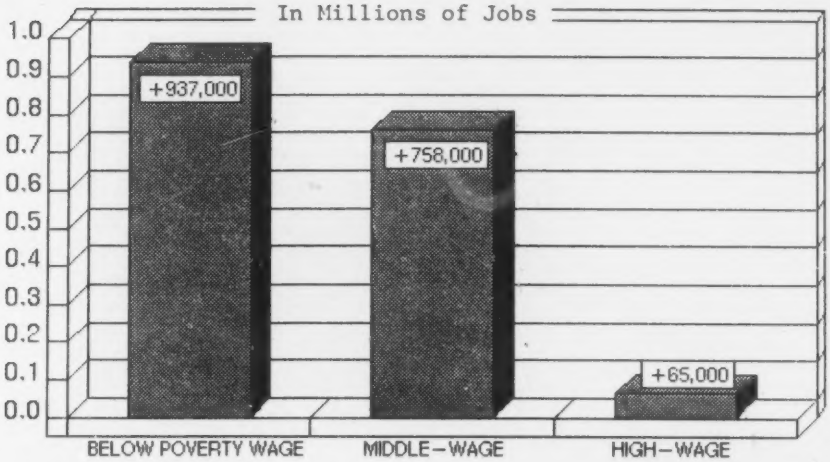
East South Central (Alabama, Kentucky, Mississippi, Tennessee): The region moved strongly in the direction of wage impoverishment. The share of middle-wage jobs fell 5.1 percentage points from 57.7 percent to 52.6 percent. Low-wage jobs increased from 39.9 percent of the total to 45.1 percent. High-wage jobs fell from 2.4 to 2.3 percent of the total.

As in other regions experiencing wage impoverishment, the absolute number of middle-wage jobs declined (by 46,000) while the overall growth in employment (520,000 jobs) was more than accounted for by an increase in low-wage jobs (560,000).

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	39.9	45.1	+5.2
Middle-wage ($11,612 to $46,444)	57.7	52.6	−5.1
High-wage ($46,445 and above)	2.4	2.3	−0.1

WEST SOUTH CENTRAL STATES

Job Creation 1979 – 1987



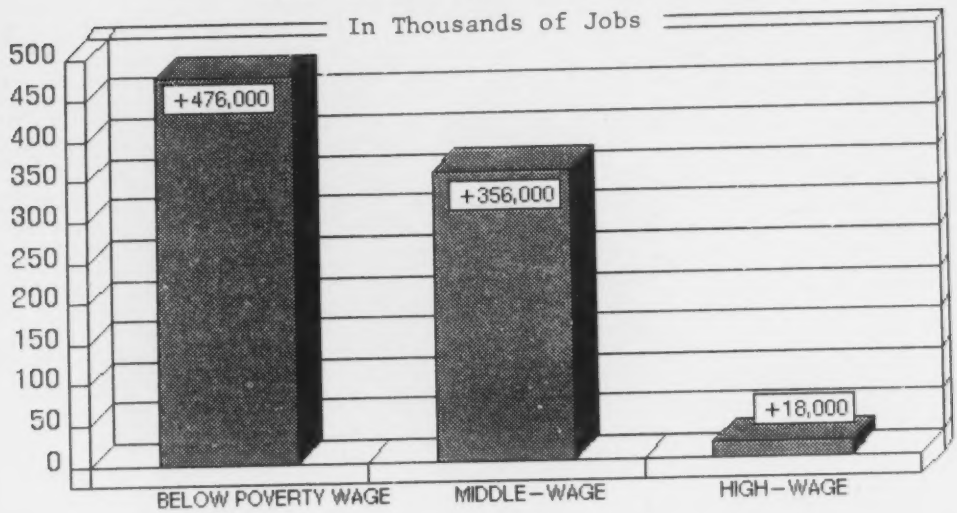
West South Central (Arkansas, Louisiana, Oklahoma, Texas): Wages in this region moved strongly in the direction of impoverishment. The share of middle and high-wage jobs declined by 2.3 percentage points and the share of low-wage jobs grew by a like amount.

Over 900,000 million low-wage jobs were created at a time when 65,000 high-jobs came into being.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	37.6	39.8	+2.2
Middle-wage ($11,612 to $46,444)	58.9	56.6	−2.3
High-wage ($46,445 and above)	3.5	3.5	−0.0

MOUNTAIN STATES

Job Creation 1979 – 1987



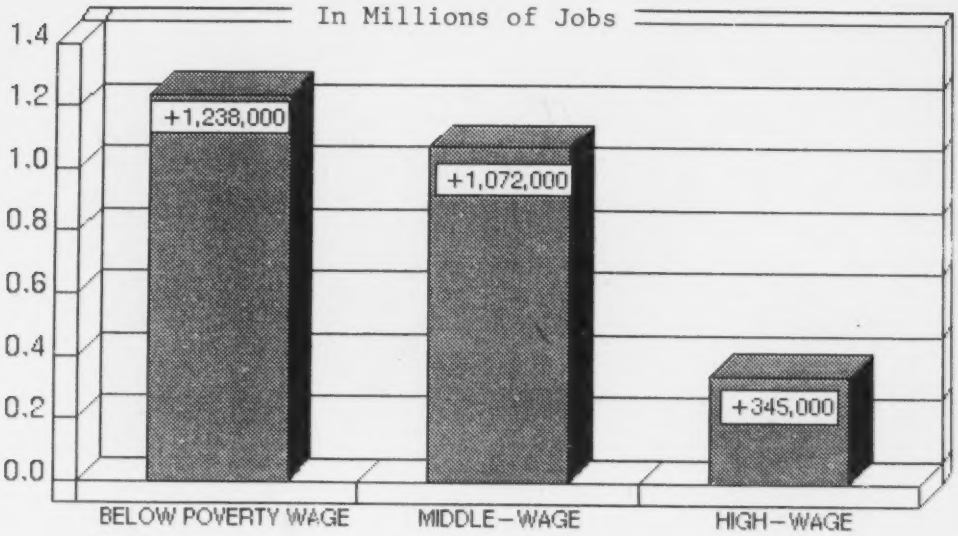
Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming): Wages moved toward impoverishment with the share of below-poverty-level jobs increasing at the expense of both middle and high-wage jobs.

Of the net increase in jobs, 42 percent were middle-wage while 56 percent were low-wage.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	34.1	37.1	+3.0
Middle-wage ($11,612 to $46,444)	61.7	59.0	−2.7
High-wage ($46,445 and above)	4.2	3.9	−0.3

PACIFIC STATES

Job Creation 1979 – 1987



Pacific (Alaska, California, Hawaii, Oregon, Washington): Contrary to the widely-held belief that both coastal regions of the U.S. are prospering, downward wage polarization occurred in the Pacific region.

The share of middle-wage jobs declined by 4.0 percentage points, from 67.1 percent to 63.2 percent of the total. The increase in the share of low-wage jobs was two and a third times the increase in the share of high-wage jobs.

In terms of net job creation, 47 percent paid below-poverty level wages, 40 percent paid middle-level wages, and 13 percent were high-wage.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	28.0	30.7	+2.8
Middle-wage ($11,612 to $44,444)	67.1	63.2	−4.0
High-wage ($46,445 and above)	4.9	6.1	+1.2

WAGE TRENDS BY STATE

The study examined the wage trends in the decade for the nation's twelve most populous states. As detailed in the following pages:

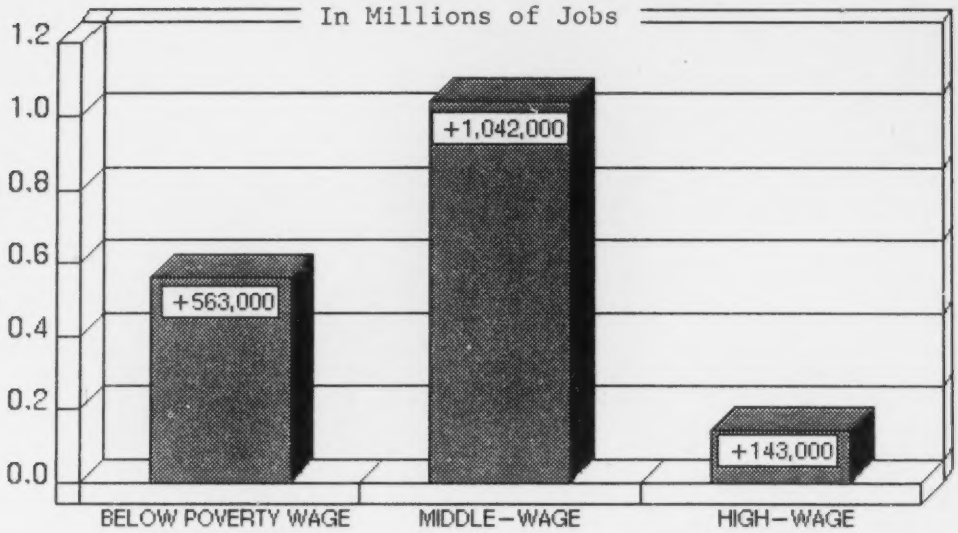
Wage enrichment was the result in Massachusetts, Florida, New Jersey and New York;

Downward wage polarization was the norm in California, Indiana, Illinois, Michigan, North Carolina, and Pennsylvania; and

Wage impoverishment was the experience in Ohio and Texas.

FLORIDA

Job Creation 1979 – 1987



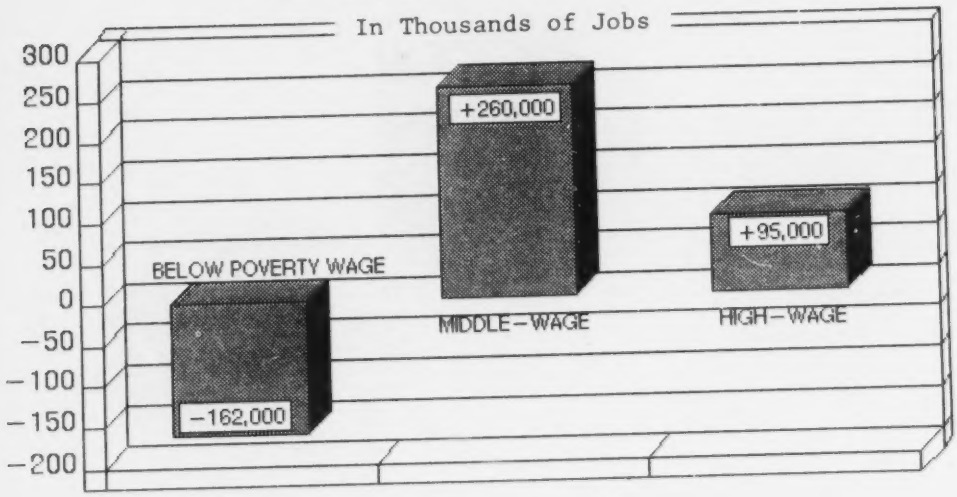
Florida: Florida wages moved upward toward enrichment. The share of low-wage jobs declined by 3.0 percentage points while the share of the middle-wage jobs increased by 1.2 percentage points. The proportion of high-wage jobs rose by 1.8 percentage points from 2.0 percent of the total to 3.8 percent.

While the trend was favorable, Florida remains a relatively low-wage state. In 1987, for example, 40 percent of Florida's workers made below-poverty-level wages. In contrast, only 25 percent of Massachusetts' workers and 27 percent of those in New York were employed at low-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	42.5	39.5	−3.0
Middle-wage ($11,612 to $46,444)	55.5	56.7	+1.2
High-wage ($46,445 and above)	2.0	3.8	+1.8

MASSACHUSETTS

Job Creation 1979 – 1987



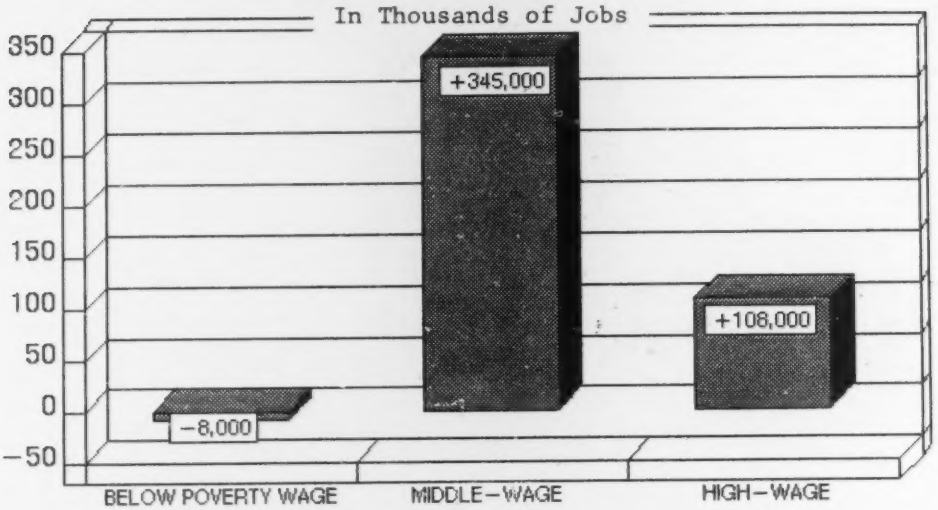
Massachusetts: Wage enrichment was the experience in Massachusetts. The share of low-wage jobs decreased by 7.0 percentage points. The share of middle-wage jobs grew by 4.2 percentage points while the share of high-wage jobs increased by 2.7 percentage points.

The actual number of low-wage jobs declined by 162,000, the largest improvement in any state. Middle-wage jobs grew by 260,000 and high-wage jobs by 95,000.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	31.8	24.8	−7.0
Middle-wage ($11,612 to $46,444)	64.5	68.7	+4.2
High-wage ($46,445 and above)	3.8	6.5	+2.7

NEW JERSEY

Job Creation 1979 – 1987

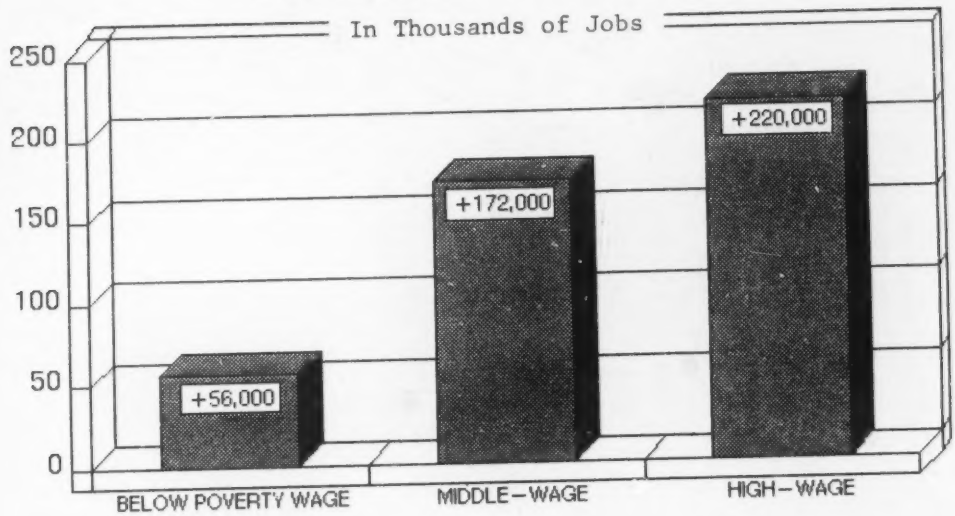


New Jersey: Workers in New Jersey saw their wages move in the direction of enrichment. The share of low-wage jobs declined by 3.2 percentage points, while the share of middle-wage jobs grew by 1.1 percentage points and the proportion of high-wage jobs by 2.1 percentage points.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	27.3	24.1	−3.2
Middle-wage ($11,612 to $46,444)	67.6	68.7	+1.1
High-wage ($46,445 and above)	5.1	7.3	+2.1

NEW YORK

Job Creation 1979 – 1987



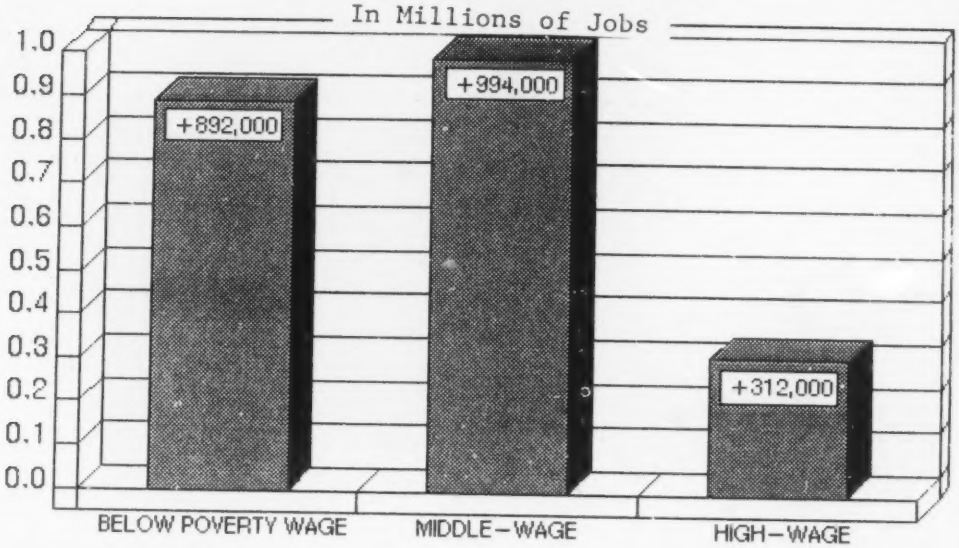
New York: Workers in New York experienced wage enrichment. The share of middle-wage jobs decreased by 1.6 percentage points, but the share of high-wage jobs increased by 2.4 percentage points while the share of low-wage jobs decreased by 0.8 percentage points.

The number of high-wage jobs increased by 220,000 while the number of low-wage jobs grew by 56,000.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	27.7	26.9	−0.8
Middle-wage ($11,612 to $46,444)	68.1	66.5	−1.6
High-wage ($46,445 and above)	4.2	6.6	+2.4

CALIFORNIA

Job Creation 1979 – 1987



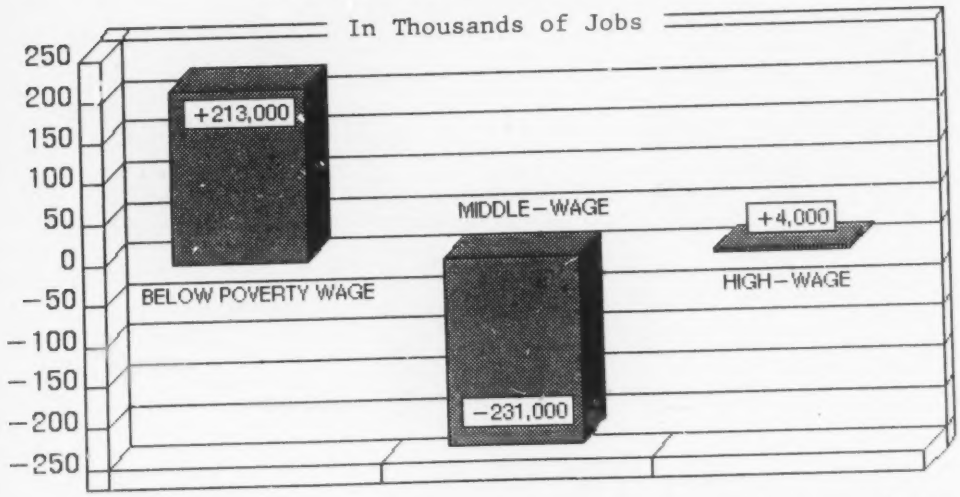
California: Workers in California experienced downward polarization of wages. The share of middle-wage jobs declined by 3.6 percentage points. The proportion of low-wage jobs increased by 2.1 percentage points, while that of high-wage jobs grew by 1.5 percentage points.

The number of low-wage jobs grew by nearly three times the amount of high-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	27.5	29.6	+2.1
Middle-wage ($11,612 to $46,444)	67.6	64.0	−3.6
High-wage ($46,445 and above)	4.9	6.5	+1.5

INDIANA

Job Creation 1979 – 1987



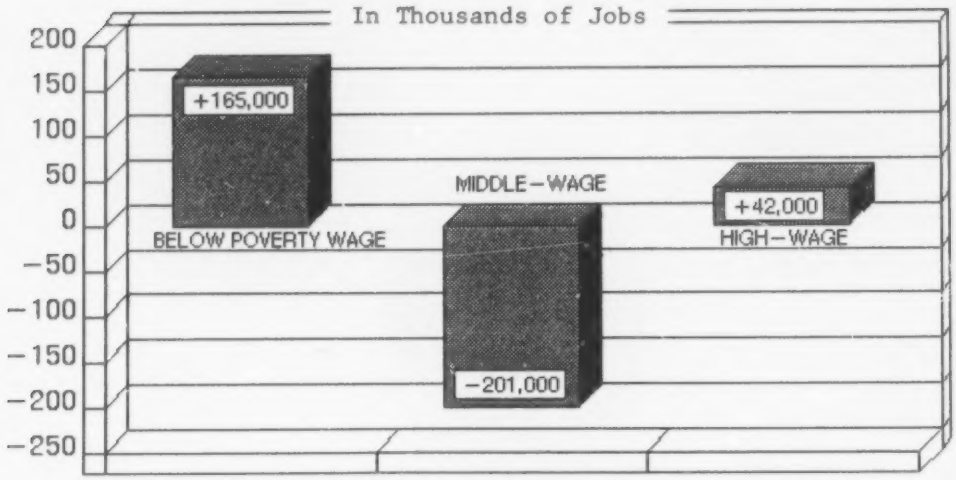
Indiana: Indiana's workers experienced severe downward wage polarization. The share of middle-wage jobs declined by 8.3 percentage points, the largest decline in any of the twelve most populous states. The share of low-wage jobs increased by 8.1 percentage points.

The number of middle wage jobs declined by 231,000 while low-wage employment increased by 213,000.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	32.2	40.3	+8.1
Middle-wage ($11,612 to $46,444)	65.7	57.4	−8.3
High-wage ($46,445 and above)	2.1	2.2	+0.2

ILLINOIS

Job Creation 1979 – 1987



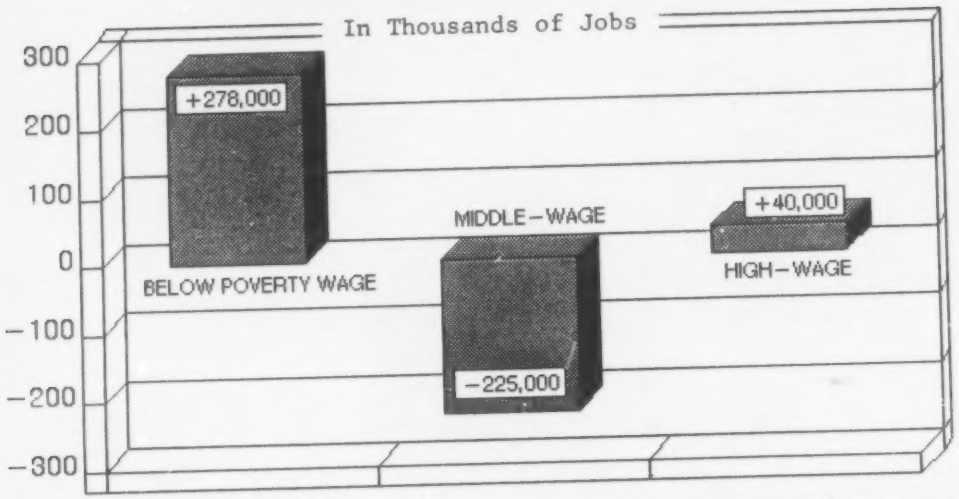
Illinois: Downward wage polarization occurred in Illinois. The share of middle-wage jobs declined by 3.7 percentage points, and was offset by a 2.9 percent increase in the share of low-wage jobs.

The number of middle wage jobs shrunk by 201,000 while low-wage jobs increased by 165,000.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	27.2	30.1	+2.9
Middle-wage ($11,612 to $46,444)	68.4	64.8	−3.7
High-wage ($46,445 and above)	4.4	5.2	+0.7

MICHIGAN

Job Creation 1979 – 1987



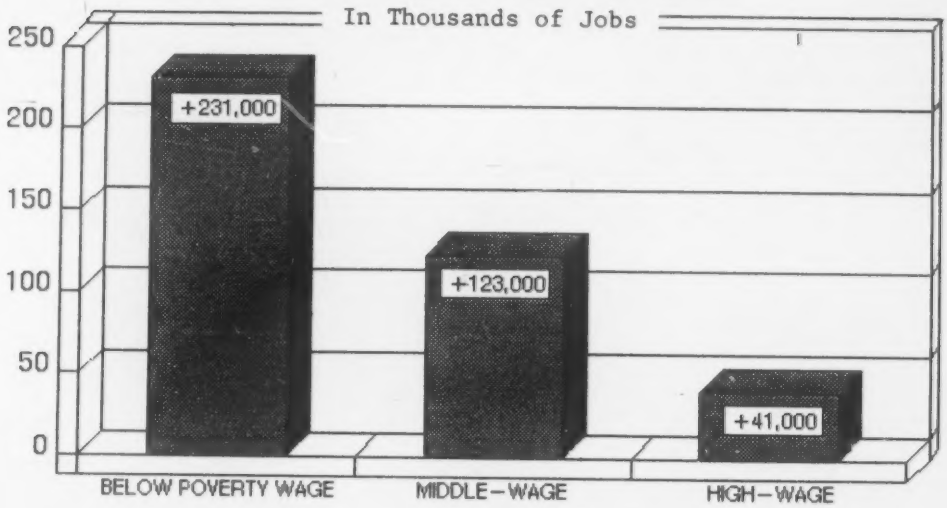
Michigan: The experience was one of strong downward wage polarization. The share of middle-wage jobs fell by 6.4 percentage points while the share of low-wage jobs increased by 5.6 percentage points. High-wage jobs increased from 4.5 percent of the total to 5.3 percent.

The number of middle-wage jobs declined by 225,000 and were more than offset by an increase of 278,000 low-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	27.1	32.7	+5.6
Middle-wage ($11,612 to $46,444)	68.4	62.0	−6.4
High-wage ($46,445 and above)	4.5	5.3	+0.8

NORTH CAROLINA

Job Creation 1979 – 1987



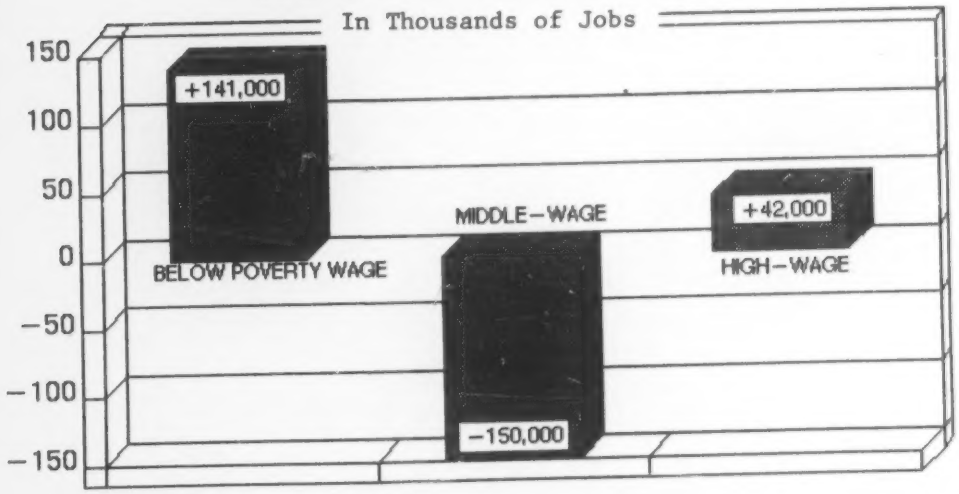
North Carolina: Downward wage polarization occurred in North Carolina as the share of middle wage jobs declined by 3.3 percentage points and the proportion of low-wage jobs rose by 2.3 percentage points.

There were 231,000 more low-wage jobs in North Carolina in 1987 than in 1979, compared to an increase of 123,000 middle-wage jobs and 41,000 high-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	39.3	41.6	+2.3
Middle-wage ($11,612 to $46,444)	58.7	55.4	−3.3
High-wage ($46,445 and above)	2.0	3.0	+1.0

PENNSYLVANIA

Job Creation 1979 – 1987



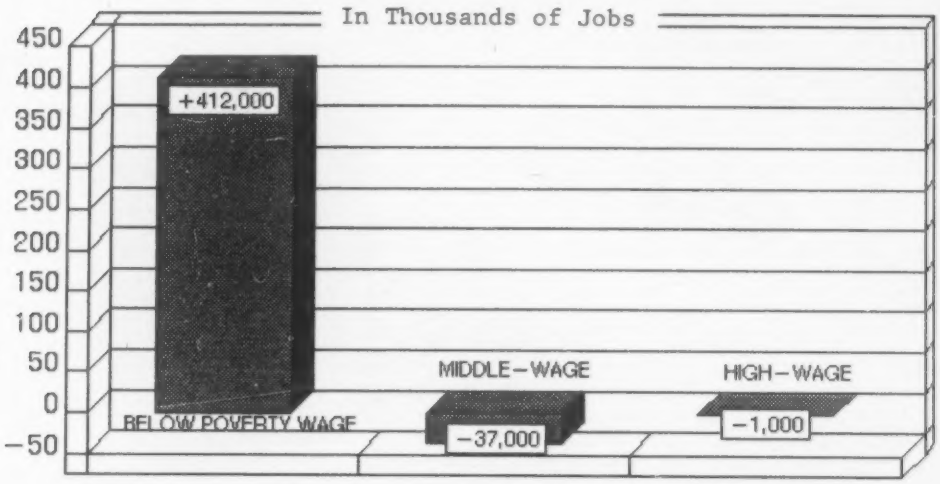
Pennsylvania: Downward wage polarization occurred in Pennsylvania. The share of middle-wage jobs declined by 3.1 percentage points and the share of low-wage jobs increased by 2.4 percentage points.

The actual number of middle-wage jobs declined by 150,000 and was offset by an increase of 141,000 low-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	28.7	31.1	+2.4
Middle-wage ($11,612 to $46,444)	68.0	64.9	−3.1
High-wage ($46,445 and above)	3.3	4.0	+0.7

OHIO

Job Creation 1979 – 1987



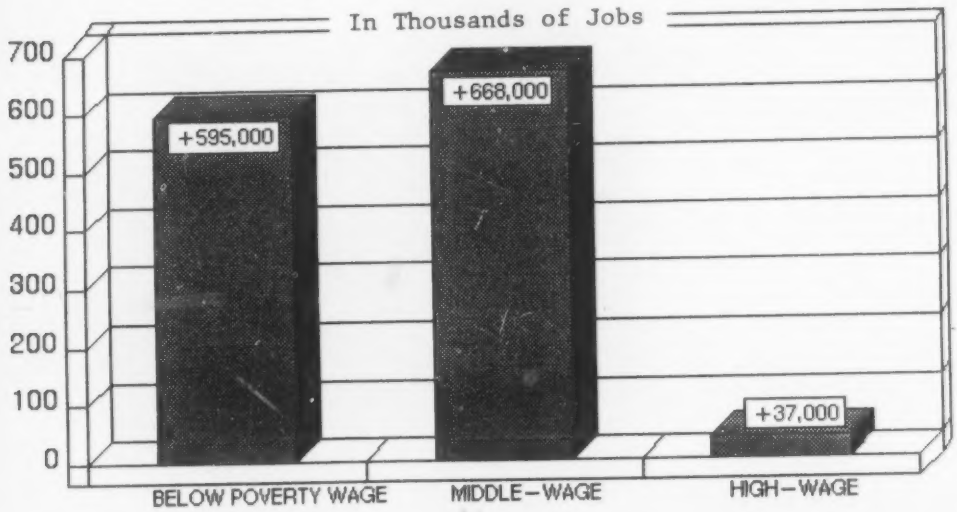
Ohio: Workers in Ohio moved toward wage impoverishment between 1979 and 1987. The shares of middle and high-wage jobs declined by 5.8 percentage points, and the share of below-poverty-level-wage jobs increased by the same amount.

The actual number of high and middle-wage jobs decreased by 38,000. The entire growth in employment was accounted for by an increase in low-wage jobs (412,000).

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	28.4	34.2	+5.7
Middle-wage ($11,612 to $46,444)	67.9	62.4	−5.5
High-wage ($46,445 and above)	3.7	3.4	−0.3

TEXAS

Job Creation 1979 – 1987



Texas: Workers' wages moved toward impoverishment. The share of middle and high-wage jobs declined by 1.6 percentage points and the share of low-wage jobs increased by that amount. 594,000 low-wage jobs were added, compared to 37,000 high-wage jobs.

	Percent of employment		Difference
	1979	1987	(1987 minus 1979)
Low-wage (less than $11,611)	36.3	37.9	+1.6
Middle-wage ($11,612 to $46,444)	59.6	58.3	−1.4
High-wage ($46,445 and above)	4.0	3.8	−0.2

Appendix 1

METHODOLOGICAL CONSIDERATIONS

Earnings Versus Occupations

Those who claim that the American economy has created high-paying jobs since 1973 base this, not on a direct analysis of workers' earnings, but on the change in the number of workers in what are classified as high-paying occupations.

This occupational approach groups jobs from the highest paying to lowest. This ordering of occupations is then divided into three groups with approximately the same number of occupations in each group. The top third of occupations are classified as high paying; the bottom third, low paying.

The evidence for the first half of the 1980s shows that the proportion of jobs in high-paying occupations has increased while those in middle and low-paying occupations has decreased.

Past studies claiming that the U.S. economy has created primarily low-paying jobs base this on an examination of workers' earnings. Supporting the present study, the preponderance of evidence shows that the share of low-paying jobs has increased relative to the share of middle and high-income ones.

Reconciliation.—The earnings approach shows that the United States is becoming a nation with a greater proportion of low-paying jobs. The occupational approach shows that a greater number of workers are in higher-paying occupations. These contradictory results can be reconciled.

As shown in an important paper by Patrick J. McMahon and John Tschetter which appeared in the September 1986 *Monthly Labor Review*, what has actually happened is that the proportion of low-paying jobs within each occupational class has increased. Greater numbers of workers are entering high-paying occupations, but at jobs at the low end of the wage scale within those occupations.

The Impact of the Business Cycle

A priori, one would expect the level and distribution of wage rates to depend on the phase of the business cycle. A recession would be likely to exert pressures to slow the rate of increase, or actually decrease, wage rates.

To remove the impact of the business cycle, this study has followed the common practice of comparing movements in wage rates between comparable points in the business cycle.

The peak year of the business expansion that began after the 1974–75 recession was 1979. In the latest cycle, the trough of the recession was 1982, and the expansion continues to this date.

Appendix 2

DETAILED RESULTS ON CHANGES IN THE WAGE DISTRIBUTION

This appendix presents data on trends in wage rates using wage categories defined around single multiples of the poverty level.

Data for six categories are presented: wage rates yielding annualized incomes below the poverty level (less than $11,611), wages yielding incomes between one and two times the poverty level ($11,611 to $23,222), between two and three times the poverty level ($23,222 to $34,833), between three and four times the poverty level ($34,833 to $46,444), between four and five times the poverty level ($46,444 and $58,055), and over five times the poverty level (more than $58,055)

The strong trend toward downward wage polarization does not depend on the definition of the middle-wage category. Downward wage polarization emerges quite strongly even if the middle-wage category is narrowed to include jobs paying annualized incomes between one and three times the poverty level ($11,611 to $34,833) and the high-wage category is widened to encompass those paying above $35,833.

The share of jobs paying between $11,611 and $33,833 declined by 3.1 percentage points. The share of high-wage jobs under this categorization (above $35,833) increased by 1.2 percentage points while the share of below-proverty-level-wage jobs grew by 1.8 percentage points.

Wage categories	Percent distribution		Percent change 1979–87
	1979	1987	
Poverty	32.4	34.2	1.8
Poverty to 2 times poverty	40.1	37.3	−2.8
2 to 3 times poverty	17.9	17.6	−.3
3 to 4 times poverty	6.0	6.4	.4
4 to 5 times poverty	1.9	2.3	.4
5 times plus poverty	1.8	2.2	.4
Total	100.0	100.0	